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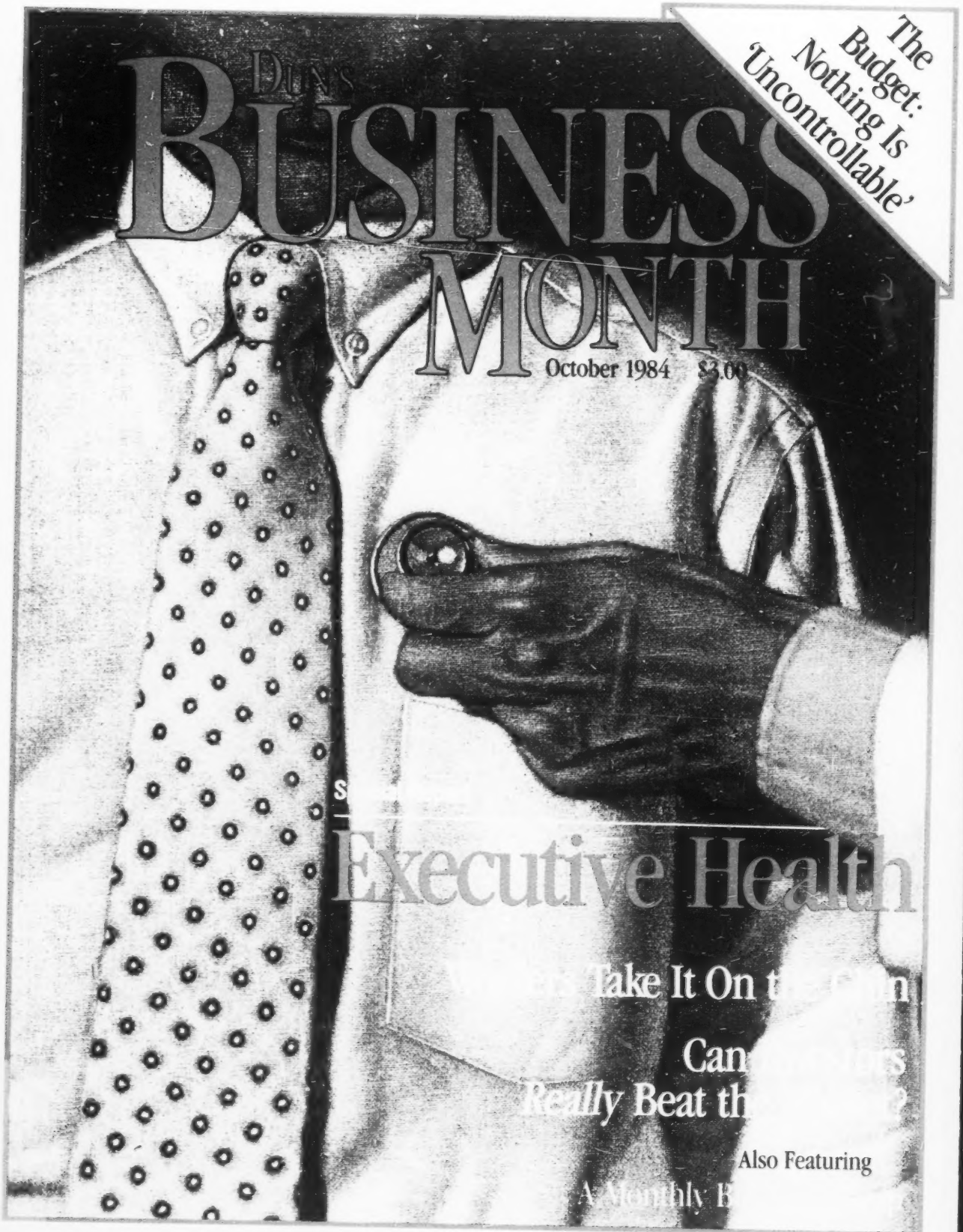
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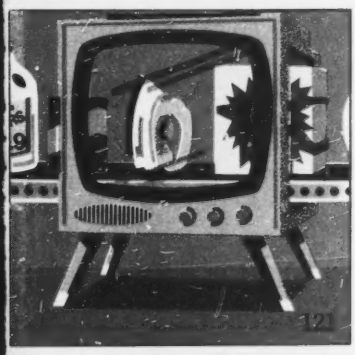

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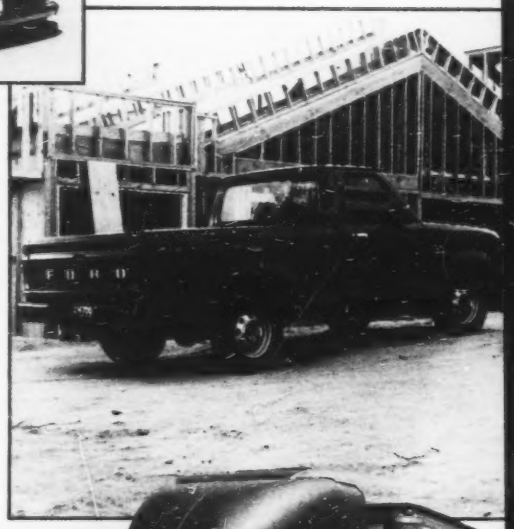
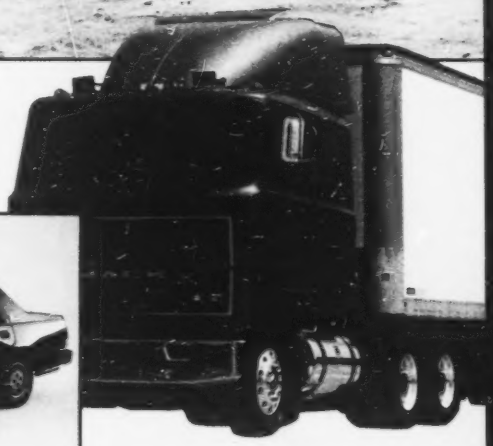




Car and Truck Sales Surge in Strong Economy, Stable Fuel Outlook; Front-Wheel Drive, Mid-Size Models Post Greatest Fleet Gains

In previous Fleet Management Focus Reports, we've chronicled the move—*rush* may be a better word—to downsizing, after the fuel crises of the '70s. Also, as the initial and operating costs of cars and trucks continued to rise, it became apparent that the role of the fleet administrator as cost controller and guardian of this major asset—the company fleet—increased dramatically in importance.

In fact, it's not unusual to find fleet administrators with financial backgrounds, and it's now standard procedure for a firm's top management to become directly involved in the key decisions affecting a fleet. For example, weighing driver satisfaction and company image against the cost savings of a smaller vehicle; deciding whether to have driver-owned, company owned, or leased vehicles; and balancing the benefits of longer fleet retention versus lower residual value.

Of course, top-level involvement is understandable when one considers that a 2,000-car fleet can, conservatively, represent a $16 million investment, at an annual operating cost in excess of $14 million. Indeed, at those prices—which aren't about to get lower—close control and supervision of fleet activities should be a top management mandate.

In this, the fourth annual Fleet Focus Report, we've again provided a summary of 1985 fleet offerings, as well as performance records and predictions by manufacturers.

For the record, the industry authority, *Ward's Automotive Report*, listed total domestic sales by U.S. manufacturers of 5,296,846 through August 20, versus 4,251,680 for 1983; an increase of better than 25%. On the truck side, the industry sees 1984 as the best year since 1978's all-time record of 4,055,926.

With 2,998,000 unit sales logged in the first nine months (ahead of 1983's *entire* production), they're not likely to be too far off the projected 1984 total of 3,900,000.

As for an overview of 1984, despite the stable gas situation and lower costs at the pumps, there has been no stampede back to full-sized cars at the fleet level, rumors notwithstanding. Granted, there *are* consumers out there who still feel comfortable with 4,000 or so pounds of steel surrounding them, and Detroit is doing its best to satisfy them. The reasons for fleet lack of interest: First, fleet managers aren't about to lose the hard-earned ground gained during the downsizing years. Secondly, there aren't that many full-sized cars being made. And finally, fleet drivers, after early grumbling, have gotten used to the more agile, smaller cars.

This is not to say that overly tight-fisted managers are keeping the troops

in sub-compacts and compacts, when some arrangements were obviously not working out. Yes, there is a decided shift to larger—*not* full-size—cars.

According to Bob Berke, Executive Director of the National Association of Fleet Administrators (NAFA), "Our annual survey clearly shows a move up to mid-size from compacts. In the 1983 model year, 26% of fleet cars in our sample were mid-size, in 1984, it reached 35%, and for 1985, we see 54% of new car orders by fleets going to mid-size."

However, moving up to mid-size shouldn't be construed as a giant step, since cars in general have become smaller, and what NAFA categorized as "compact" in 1979—106" wheelbase—is today's mid-size car, with a 105"–108" wheelbase. In short, full-sized cars are the dinosaurs of the fleet industry; as to the few still out there, perhaps their owners haven't gotten the word.

Considering trends and subjects topmost with fleet managers, the increased use and proven value of computers and potential effects of the Deficit Reduction Act of 1984 are "hot," Adlore Chaudier, executive editor of *Runzheimer Reports on Transportation* notes. "Control is the key to efficient fleet management," says Chaudier, "and that's where we see the most obvious application for computers, whether in-house or supplied by leasing companies, who are all trying to get ahead of the competition by offering a wide range of services. At Runzheimer, we don't see any radical changes in the way fleets are operating, though we see a tendency to overcome size complaints by adding accessories to vehicles, such as cruise control, tilt wheel and AM/FM radio."

Among several new developments, Chaudier notes increased fleet interest in the new mini-vans (though supplies are limited or non-existent, due to strong consumer demand) and what he terms "cellophones." That is, mobile car phones that operate through cellular radio systems. These are presently expensive, so any fleet purchases are most likely to be restricted to executive vehicles. Cellular systems are now operating in select major markets, though coverage should expand significantly by yearend when prices may begin to recede as competition intensifies and sales and production increase. For now, most knights of the road will have to keep their eyes peeled for a pay phone to call in to say they're "running late" for the next appointment.

Chaudier cautions: "We would advise fleet managers to keep a close watch on alternate fuel developments. You never know what can happen in the Middle East to curtail supplies, so despite our stable fuel prices and supplies right now, it's a good idea to stay alert for any changes."

To summarize the year 1984, car and truck sales are booming; leasing retains its strength in both areas; downsizing has leveled off to the now-standard mid-size fleet car; the 1984 tax act is sure to create administrative problems; and the ubiquitous computer is going to spell "relief" for more and more harried fleet administrators.

In this management overview, we'll look at these areas in detail and step from theory to the real world of cost-effective fleet management, by including fleet car and truck case histories. (More definitive information is available in the publications listed in the "*Information, Please*" section on page 44.)

Passing in Review: The Class of '85.

The 1984 models and their dazzling high-tech innovations, falling fuel prices and a release of pent-up consumer demand, combined to ignite a retail sales explosion. Many of the world's auto manufacturers were hard pressed to satisfy consumer needs and, as a result, the numbers of some '84 passenger models allocated for fleet sales were reduced.

So what does the '85 model year hold in store for fleet managers? Well, for one thing, the high-tech trend in automotive design, engineering and production will definitely continue, although on a more "evolutionary," rather than "revolutionary" scale. For another, the explosion in consumer demand can also be expected to continue, while fleet demand should also remain strong in '85, due to replacements and additional vehicle needs created by escalating business activity.

The '85 models from most manufacturers will tend to be updated versions of existing '84 models. Few entirely new models will be introduced. Cosmetic changes, in the form of new interior appointments, instrumentation and body and trim treatments will be common.

By and large, the high-tech changes in the '85 models, equipment and options are fairly subtle.

Fleet vehicle operating costs will probably remain stable in '85, due largely to continuing improvements in vehicle fuel efficiency and mechanical reliability, as well as to projected stability in fuel prices. But it goes without saying that vehicle acquisition costs will continue to rise, especially in the case of the larger and better selling models.

Selecting the right model, equipment and options for each individual application will be critical to achieving true cost-effectiveness in '85 fleets. The key, of course, is to acquire only what is actually needed in terms of size, performance, fuel efficiency, passenger/cargo capacity, luxury and image—no more, no less. However, it should be pointed out that while vehicle downsizing in fleets has become almost the norm, a softening of that trend is definitely underway and the trend is definitely toward mid-size.

Whether to acquire '85 vehicles via company ownership, open-end lease, or closed-end lease, or employee reimbursement, will also be an important consideration, based on such variables as initial purchase price, current interest rates, projected resale value and corporate cash position. Another factor that will have a major impact on acquisi-

Chrysler started the mini-van revolution in '84; fleet allocations still tight for '85

tion decisions is that of the new Federal tax law which redraws the lines between personal and business use of a vehicle for expense deduction purposes (More on page 36.)

The following capsules cover the major manufacturers and some fleet-related viewpoints.

Chevrolet

Despite the boom in consumer sales that Chevrolet has enjoyed with its '84 models, Chevrolet won't waver in its commitment to the fleet market in '85. Lou Proctor, Manager-Field Operations

Leader of the pack: the 1985 Chevrolet mid-size Celebrity

for Chevy's Fleet Sales, explains why: "Fleet sales account for nearly 20% of our total passenger vehicles. Back in 1980, when things in the auto industry were tough, it was fleet orders for the Chevette that kept our plants open. So we're not about to forget all that fleets meant to us."

According to Proctor, Chevrolet fleet sales are up more than 44% for the 1984 model year, with truck sales up by 35%. "We expect the upward trend to continue for fleets, based on orders already in", Proctor says. "Face it, we cover the broadest spectrum, from light trucks to compacts to police vehicles. We're getting back to where we used to be, in a strong position as industry value and price leaders."

In '84, Chevrolet's new front wheel drive intermediate, the Celebrity, became its best selling fleet model, with the Cavalier, a front wheel drive compact and the Monte Carlo, a full-sized coupe, running second and third. Chevrolet believes that it's on-going programs of technological advances and tight quality controls have contributed to the fleet popularity of these and other Chevy models. For 1985, a new fuel-injected, 2.8 liter, V-6 engine will be offered as an option on the Celebrity and Cavalier, although most fleet operators will probably stick with the 4-cylinder engine for its economy.

The only completely new Chevrolet model to be introduced in '85 will be the Astro mini-van, which Chevrolet feels will excite great fleet interest. These units will feature a true truck chassis and front engine/rear wheel drive, available in both cargo and passenger versions.

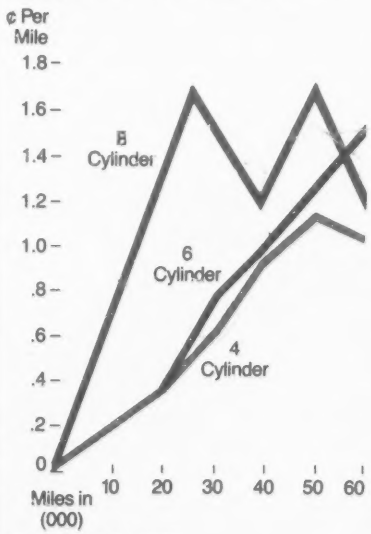
Buick

Buick, with fleet sales running 12.5% ahead of the '83 model year, projects increases on a five-year plan through 1989. As Jim Christiano, Director of Fleet Sales, observes, "I see a trend to companies upgrading to more expensive cars—not necessarily larger—and adding more equipment. They're simply realizing there are benefits to be derived when you give the person who works for you a substantial company car, both in terms of employee satisfaction and motivation. I think they'll be happier and work harder for you, so you actually gain far more than you spend. To paraphrase our ads, 'You can't be proud of your company, if you're not proud of your company car!'"

For 1985, Buick expects to continue drawing fleet operators to its Century (up 80% in '84) and Regal for mid-size applications, and to its Skyhawk and

4 Cylinders Cost-Effective

Comparative Maintenance Costs



Source: McCullagh Leasing

Buick's Christiano: Companies are moving up to costlier cars

Skylark for compacts. For high-end executive use, Buick offers its Riviera, while the recently downsized Electra should also win favor.

Other than the downsizing of the

Buick's new fleet entry: the 1985 Somerset Regal

Electra, Buick is offering no major changes on its '85s, concentrating instead on a wide range of refinements, such as new interiors, front and rear end treatments and such engine options as turbocharging.

The new model to be introduced by Buick in '85 will be the Somerset Regal, which is somewhat smaller than the intermediate Century and somewhat larger than the compact Skylark. Buick feels that the new Somerset Regal's trim exterior, combined with its large, luxurious interior and good fuel economy will win it strong fleet acceptance, especially in "reward car" applications.

Oldsmobile

Oldsmobile believes that one of the keys to its fleet success has been its glamour image which translates into strong "perk" value for drivers and resale value.

Oldsmobile's most successful fleet model has been its intermediate Cutlass Supreme, with its Cutlass Cierra, also an intermediate, running a close second. The Cierra is now Oldsmobile's fastest growing fleet model and it is seen as likely to surpass the Cutlass

Supreme in '85 fleet sales.

Brand new for '85 are the front wheel drive Calais Coupe and Calais Supreme Coupe, which both represent a new "world class" size of vehicle for Oldsmobile, fitting between the compact Firenza and the intermediate Cierra. Both are expected to have considerable fleet appeal. The compact Omega will be dropped for '85.

Cadillac

Cadillac has found that the steady increase in high-end and executive fleet applications, fueled by the expanding economy, has helped Cadillac fleet sales, up 15% in '84. Contributing to the growth in Cadillac fleet applications is the continued downsizing of Cadillac models, which has created an unpretentious, quiet luxury image, with which more fleet operators and drivers can feel comfortable.

New for '85 are the front wheel drive Sedan DeVille, Coupe DeVille and Fleetwood which, since their early introduction in the Spring of '84, have generated strong fleet interest. Other Cadillac models, the rear wheel drive Fleetwood, the Eldorado, Cimarron and Seville, will feature only cosmetic and option changes for '85.

Pontiac

Pontiac has been enjoying great fleet success—up 40% for the '84 model year—with its products now totalling about 7% of all models in fleet use. Leading the Pontiac models in fleet sales is the front wheel drive intermediate, the 6000, which is available in 2-door, 4-door and wagon versions.

The 6000 achieved a 155% increase in fleet applications in the '84 model year as R.E. Benson, Assistant General Sales Manager at Pontiac, explains:

Pontiac's Benson: Our resale value has bounced back strongly

"The 6000 fits the 'needs analysis' of a typical fleet manager best of all and will continue as our leader for '85. An important part of that analysis, incidentally, should be the questions: 'What kind of statement does the car make about the driver . . . about the company?' Of course, fleet managers are looking at cost of operation and the overall cost of ownership, including resale value. Our resale value has bounced back from a slight slump in the late 70's and I think that's reflected in our sales increases."

Strong mid-size contender: the 1985 Pontiac 6000

For '85, the 6000 will be given new cosmetic front and rear end changes. Following in fleet popularity is the front wheel drive compact Sunbird, followed by Firebird (primarily rentals), Bonneville, Grand Prix and full-size Parisienne.

New for '85 is the Grand AM, a front wheel drive specialty coupe which will fit between the intermediate 6000 and compact Sunbird.

The rear wheel drive intermediate Bonneville offers new interior and exterior colors for '85. The full-sized Parisienne sedan and wagon also receive new exterior treatment for '85. Rounding out the '85 Pontiac product lineup for fleets is the 1000, a subcompact.

Ford

Ford, like all manufacturers, is offering largely technological and cosmetic changes on its '85 models. On the Tempo, its front wheel drive compact that won widespread fleet acceptance in the year since it was introduced, Ford is installing fuel injection (as standard) and a new instrument panel. On its LTD, the intermediate that is another fleet favorite, Ford is making front and rear end cosmetic changes. The Thunderbird, the intermediate that has found success in many high-end executive applications, will be receiving both exterior cosmetic improvements, and an all new interior and an upgrading of passenger capacity to 5 seats. The full-sized Crown Victoria, which also enjoys considerable fleet popularity, will receive new gas-filled shock absorbers for '85. It will also have its production run extended in response to growing fleet demand.

The one new Ford model for '85 is the Aerostar, its entry in the mini-van category, with a choice of either 4-cylinder or V-6 engine.

According to Bob Blank, Ford's Fleet, Leasing and Rental Planning Manager, 1984 is going to end up a banner year in both cars and light trucks. "Based on model year fleet registrations through the end of May—the most reliable data there is—we have 19% of the fleet car market and 39% in light trucks. I see no reason why we can't maintain that strength for 1985, especially with the introduction in the second quarter of our new Aerostar mini-van."

Lincoln-Mercury

For '85, Lincoln-Mercury sees a greater number of fleet vehicles falling into the mid-size category. As John Rowley, major leasing and fleet accounts manager at Lincoln-Mercury notes, "The 1984 model year is running about a third over '83 for fleets, and we expect the trend to continue along with the business upswing."

In fleet sales leadership, it was a tight race between mid-size Marquis and compact Topaz, with the former holding a slight lead. The Marquis, in 4-door or wagon models, offers cosmetic exterior changes and improved performance for 1985 and, like the Topaz, has made certain options standard for improved fleet value and driver convenience.

The sporty 2-door Cougar intermediate is expected to continue its winning ways with fleets in 1985, as more managers come to recognize its strong driver appeal and high resale value.

Mercury's top compact: the aerodynamic 1985 Topaz

The full-size Lincoln Town Car made a strong showing among daily rental companies in 1984. These have, as Rowley notes, "revolutionized the business during the past few years by promoting luxury cars." In fact, the Town Car was Lincoln-Mercury's leader in non-retail sales and was also popular as a leased vehicle. However, for company fleets, it poses no threat to the mid-size trend.

Chrysler

In the 1984 model year, Chrysler helped launch the mini-van revolution when it introduced the Plymouth Voyager and Dodge Caravan, two models that elicited such an overwhelming consumer response that Chrysler had to stop taking fleet orders.

As Hal Barton, Chrysler's General Manager of Fleet Operations, explains: "The T-115 mini-vans were allocated to a number of fleets in 1984, and very well received, to the point that they're back to us for more. However, we see the wagon version in short supply for fleets through 1985, although the situation should improve in '86 when we have our new plant operating." Barton notes that fleet sales for '84 are up by nearly 20% in cars; 60% in trucks (including mini-vans). For 1985, based on extremely strong order entries through the end of August—car orders up 60%; trucks 300%—Barton expects to better last year's performance.

Barton says: "Last year we were playing catch-up, but this year, since we have all but one plant running second shifts, we'll have much more car availability. The "K" cars will continue to be our mainstay, though we see some switching up to the mid-size "H" bodies—LeBaron and Lancer. All in all, we're extremely confident."

The "K" cars—Plymouth Reliant and Dodge Aries—will receive a softer, more aerodynamic, "European" exterior treatment for '85.

The new "H" line of intermediate hatchbacks—Dodge Lancer and Chrysler LeBaron GTS—will be introduced in '85. These new models are expected to be of great interest to fleet operators because of their size (they're the only intermediate-sized 5-passenger hatchbacks on the market), 2.2 liter engine, available with electronic fuel injection or with turbo, and cargo capacity (40.7 cubic feet with the rear seats folded down). Of special interest to sales fleets is the fact that these new hatchbacks feature a hidden trunk area which offers 19.1 cubic feet of concealed storage.

The fleet-popular Chrysler "E" car will be dropped in '85, to be replaced by the Plymouth Caravelle, a model previously marketed only in Canada.

American Motors

True to optimistic 1983 predictions of record fleet sales in its sub-compact Alliance, American Motors experienced its fastest fleet start ever in 1984, devoting fully 45% of its initial production to fleets. That figure is expected to level out to about 20% by yearend, closer to the industry norm, but still ahead percentagewise. "Our total sales are up 29.6% over the '83 model

AMC's Lalain: We forecast a 15.7% gain for '85

year, and we're forecasting a 15.7% overall increase for 1985", says Bob Lalain, AMC's Director of Fleet Operations.

The Alliance and its hatchback relative, the Encore, have had engineering changes for the 1985 model year and for 1986 "they'll just get face lifts", according to Lalain. Renault-designed, but made in America (Kenosha, Wisconsin), the Alliance and Encore, along with a new Alliance convertible, are expected to maintain strength among consumers and rental companies.

However, there's a rock-and-a-hard-place situation brewing on the fleet side. "It's no secret that the sub-compact segment is shrinking in company fleets, which puts us in the position of trying to increase our share of a diminishing market", explains Lalain. "The good news is that we have a brand new, larger car in the works for 1987 introduction, and we feel it will have a very strong impact among fleet managers as well as consumers."

AMC also plans to introduce two new

1985 Renault Alliance DL: subcompact fleet fuel miser

Renault imports in 1987.

AMC's Cherokee (voted 4x4 Car of the Year by the major 4-wheel buff magazines) is beginning to make its presence known for selective fleet applications that require 4-wheel capability and traditional Jeep ruggedness. In fact, AMC's 4-wheel drive fleet sales doubled in 1984.

For 1985 and 1986, the prognosis is that the Alliance and Encore, with their attractive price tags ($6,000 area) and impressive fuel economy (38 mpg) should keep AMC's sales momentum going until fleet interest in the Alliance loses out to desire for cars larger than sub-compacts. By then, it'll be time for the new 1987 models.

Nissan

Because of the import restrictions on Japanese sedans and coupes and the strong consumer demand for those models, Nissan has had to restrict the number of subcompact Sentras, compact Stanzas, and intermediate Nissan 200SXs it could make available to fleets. However for '85, Nissan sees that gap in fleet sales being filled by its King Cab and Long Bed light pickup trucks, which aren't subject to import restrictions and are proving of use in light service and light delivery applications.

Nissan feels that its light truck quality, low downtime and new U.S. production facilities at Smyrna, Tennessee, will further contribute to a fleet sales growth in '85.

Toyota

Toyota, like other Japanese auto makers, has been hampered in its fleet sales efforts by import restrictions on Japanese passenger cars. Its subcompact Tercel and Corolla, its compact Camry and its specialty Supra have also had to be limited in fleet sales because of their consumer popularity. Toyota's fleet slack has been taken up by its mini-van (the first introduced in the U.S.) and by its light trucks.

For '85, Toyota sees growing fleet acceptance for light trucks and mini-

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( ) 1985 Fleet Cars – Selection Chart
( ) The Lease Piece – Fleet Newsletter
( ) Leasing Lexicon – Terminology Folder

Name _____
Title _____
Company _____
City/State/Zip _____
Phone _____
Number of Cars Leased _____

DBM-10

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vans, especially on the part of municipal fleets, due to their combination of "handling, fuel economy and reliability."

Volkswagen

Volkswagen, which has been manufacturing its popular Rabbit in Westmoreland, Pennsylvania, since 1978, gained momentum with its fleet program in 1984, when it moved some 8,000 units into rental companies and corporate fleets. The successful program was spurred by free option packages (air conditioning or power steering plus AM/FM radio) as well as a guaranteed residual value for fleet vehicles.

Says Jules Bauduc, Fleet Sales Operations Manager, "If you can get your monthly depreciation factor around 1%—the holding cost divided by months in service—you're really doing something. We were *under 3/4 of 1%* with the Rabbit, and when the accounts figured it out, it was costing them just $69–$75 per month to hold the equipment. That's really phenomenal! Those numbers, coupled with the guaranteed residual value and the fact that the Rabbit was American-made pushed us well over our fleet projections and though we were somewhat caught by surprise, deliveries were current by April '84."

For 1985, Volkswagen finds itself slightly out of synch so far as corporate fleets are concerned, due to a switch from the discontinued Rabbit, to the new Golf, scheduled for official U.S. debut next month. The 1985 Golf (from the German "golfstrom" or gulfstream) will bear more than a passing resemblance to the Rabbit, but will feature more passenger room and luggage space. Available in 2-or-4-door models with diesel or gas engines, the hatchback Golf is seen by VW as ideal for "high mileage delivery, courier or service fleets, as well as daily rental operations."

The first of the U.S. Golfs are now rolling off the line in Westmoreland and if the Rabbit's earlier fleet success is any indication, the 1985 Golf with residual value guarantee, while a late starter, should win substantial favor among rental companies and fleet administrators.

The preceding is a *sampling* of fleet vehicles available for 1985. For more information and complete specifications, equipment and fleet ordering incentives, refer to the various fleet guides offered on page TK, *Information, Please* section, as well as the Reader Service Card, page 41.—T.R.

Leasors Lean on Computers.

From all indications, the leasing market is expanding, but slowly, which means there's increased in-fighting and more aggressive selling among the leaders to increase shares and capture new clients. (Or, at least, get in as a "back-up", since few companies rely on a single leasing company.) Since there's little differentiation as far as types of leases offered, the leasing companies are honing their competitive edges by providing—at a price, of course—more and more ancillary services.

However, one service in particular seems to take precedence. What commands the highest respect among fleet managers these days, for good reason, are computers. They make their jobs easier, help improve overall fleet efficiency, monitor maintenance programs and can better the bottom line.

The leasing companies have been on to computers for some time, and the majors don't hesitate to "computerize" a prospect, under such snappy acronyms as Gelco Fleet & Management Service's "GelcoLink", McCullagh's "SAVE II" and Wheels, Inc's "F.A.S.T." (standing for Fleet Analysis and Cost Trends, naturally). But by any name, a computer—or more precisely, access to one, via a desktop terminal—is a

McCullagh's Cullota: Computers give our customers control

very valuable fleet management tool.

As Don Gorman, President of Leaseway Fleet Management Corp. puts it: "The whole objective is for fleet managers to go 'paperless' as much as possible and as quickly as possible. In our case, we become the fleet manager's computer, in effect, via his own PC. I think the timing is perfect, since we're seeing people with much better educations in fleet management jobs these days, who are comfortable with computers."

McCullagh Leasing, which has been refining and expanding its SAVE system since 1978, has made it compatible with some 25 PC's and more than 100 types of terminals.

According to Senior Vice President, J.A. Culotta, the SAVE II system features a virtual fail-safe setup, since it operates through one of two main computers at the firm's base in Roseville, Michigan. Normally, one computer is used for company data, the other for access by clients. If one should go down, the other takes over.

Says Culotta, "The computer terminal puts control in the hands of our customers, cuts time and paperwork and greatly aids the decision-making process; it takes out the guesswork. When we started developing this system back in '77, we didn't merely want to push out a whole lot of information that would sit on someone's desk, but to provide real cost efficiencies. Right now, we have a full-blown interactive system. The customer can work with it on-line to input changes and update his own records."

How Pfizer Does It

As might be expected, examples of the computer's fleet management prowess abound. Pfizer, Inc., for one, went from manual record keeping to its own in-house computer in 1980. This proved to be too costly until its main leasing company for the past 30 years, Wheels, Inc. offered a solution.

"It's actually part of a pilot project, being tested at a few locations," says Gordon West, Corporate Fleet Manager, "and uses an ITT dedicated line so we can have real-time information 12 hours a day. We've come to rely on this equipment to help manage our 2,400-car fleet, because it gets us away from paper pushing and back to the real job, which is *managing*. That is, thinking about the future, weighing costs and financing and working closely with top management."

Pfizer, whose fleet value West estimates at nearly $19 million, with a total annual operating budget of over $14 million, offers its sales executives a wide range of vehicle choices and options. "The computer helps us a great deal here", explains West, "since we offer 24 models and virtually any 'build' of equipment and interior the sales rep wants, including the extras he purchases. Our system gives us instant order status, all vehicle specs, sale information, current book value, months in service, division expense code—everything we need to make sound decisions."

West, in what may be an emerging pattern among fleet managers, came from a financial department within Pfizer. He noted that final decisions on the sizeable fleet investment are made at the very top, via the treasurer's office and Pfizer's Corprate Projects Committee. This is not an anomaly.

As McCullagh's Culotta points out, "There are more financial people involved today than ever before, since everyone is understandably sensitive to the cost of money and services. The days are long gone when you simply tied leases to the prime. Now, a leasing company has to offer creative financing, and when you're dealing with Fortune 1000 types, the money cost side of the lease is the real key. They expect the leasing company to go out and acquire competitive funding and provide efficient, cost-effective services."

Be that as it may, from sales reps in the field to top management, when pointed questions are asked, the fleet manager's tireless computer can deliver the answers, quickly and accurately. But in the final analysis, the buck *does* stop with a human, since, so far, computers haven't learned to sign purchase orders! —J.F.C.

Selected 1985 Projected Ownership and Operating Costs

			Front Seat							Annual Costs For[4] 20,000 Miles		
Make[1]	Model	Doors	Head Room	Leg Room	Luggage Capacity	Weight	Overall Length	Drive Unit	Cyl	Displace	Operating	Ownership	Total
Chrys	Fifth Ave	4	39.3	42.5	15.6	3740	205.7	Rear	8	5.2	$1850	$3967	$5817
Ford	T-Bird	2	37.7	42.0	14.6	3090	197.6	Rear	6	3.8	$1590	$3576	$5166
Chev	Impala	4	39.2	42.2	20.9	3493	212.8	Rear	6	4.3	$1700	$3262	$4962
Dodge	Caravan	4	38.9	38.3	81.8x48.4	2700	175.9	Front	4	2.6	$1550	$3349	$4899
Olds	Cutlass SP	4	38.7	42.8	15.2	3256	200.4	Rear	6	3.8	$1540	$3247	$4787
Chev	Celebrity	4	38.6	42.1	16.2	2692	188.3	Front	6	2.5	$1530	$3092	$4622
Chev	Cavalier	4	38.5	42.2	13.6	2337	174.3	Front	4	2.0	$1190	$2658	$3848
Nissan	Sentra[2]	4	38.3	43.1	11.3	1855	167.3	Front	4	1.6	$1180	$2616	$3796
Ford	Escort L	4	38.1	41.5	16.5	2074	163.9	Front	4	1.6	$1220	$2570	$3790
Honda	Accord[3]	4	38.7	41.3	15.2	2271	175.4	Front	4	1.8	$1220	$2562	$3782

Footnotes:
1) Cars similarly equipped (except where noted) including automatic transmission, power steering, power disc brakes, A/C, tinted glass, AM radio, wheel covers, body side moldings and left-hand remote control mirror.
2) Does not include power disc brakes, power steering or left-hand remote control mirror.
3) Does not include A/C or AM radio.
4) Costs include operating expenses (gas @ $1.36 per gallon, oil, maintenance and tires), ownership expenses (insurance, depreciation, financing, taxes and license) and are based on a 3 yr/60,000 mile retention cycle.

Source: Runzheimer & Company

New Tax Law . . . Ouch!

Like any new tax law, the Deficit Reduction Act of 1984 is clouded by uncertainty. Who will be most affected? How closely will the regulations be monitored? How will the law be enforced? And, for some companies and individuals, how much can be gotten away with? There have been many opinions, but thus far no tests (the bill was signed into law on July 18, 1984), but the law *is* quite clear as it pertains to fleet cars and executive vehicles.

The IRS suspects, that much personal use of company cars aren't reported as income or, in the case of certain executive vehicles, are an out-and-out "perk". They may have something. A recent Runzheimer survey revealed that nearly 40% of companies failed to calculate the fringe benefit value of their executives' company cars. This can add up: more than $4,000 per year for a basic Buick Regal retained 60,000 miles.

The new law, in brief: If the executive vehicle is used 50% or more for business, the maximum Investment Tax Credit (ITC) is $1,000, and depreciation is set at a maximum $4,000 for the first year, and $6,000 per year thereafter. As with *any* company car, fleet or executive, "contemporaneous" records must be kept by the driver; a daily running log that includes time, mileage and other pertinent details. Yes, it sounds like madness, but that's the task facing drivers, not to mention the companies, who must certify the records are kept.

Should the records not be able to support the 50% business use rule, then *no* ITC can be claimed and depreciation is calculated on a straight-line basis, with the maximum spread over six years (10% year one; 20% per year thereafter). This pegs the maximum write-off at $16,000, meaning the company eats the difference between that and, say, a $35,000 BMW. (A Buick spokesman noted that this should help sales of its luxury cars, which fall under or close to the magic $16,000 mark.)

Echoing the thoughts of those in the industry, Walt Lovenduski, Vice President and General Manager of Hertz Car Leasing, describes the forthcoming administrative burden for fleet administrators as a "nightmare". Says Lovenduski, "To begin with, the tax payer—the company—must be certain its drivers are keeping contemporaneous records. Salespeople traditionally hate paperwork, so this new requirement is going to be doubly hard to enforce."

For a company that lives by the letter of the law, "nightmare" might be too mild a word. For, as Lovenduski explains, the driver must share all the costs, including fuel, maintenance, insurance, title, etc. as well as any value difference between book and sale price. Now the fleet managers must go back through each car's records from previous years to make an accurate determination. If, for example, the driver averaged 30% personal use, has paid in at that rate all along, and the company sells the car at less than book value, the driver has to help make up that difference. If, for example, the loss is $100, he's assessed $30. On the other hand if there's a $100 gain, he

WHEELS

Compact cars or full-size? Two doors or four? Four, six or eight cylinders? Gasoline or Diesel?

should be rebated a proportionate amount, which is treated as compensation. And that's *highly* oversimplifying.

How the IRS will choose to enforce the regulation is anyone's guess, though it's not too likely they'll be stopping company cars at toll booths with a curt, "*Your papers, please!*" But they could make a spot check of, let's say,

1985 Mercury Grand Marquis: under the $16,000 ceiling

100 cars in a 5,000-car fleet and if the records in the fleet manager's office look like fiction the company could have big problems, with the entire deduction possibly being thrown back for 100% proof of compliance.

Lovenduski suggests a possibility, not out of keeping with Hertz's specialty: "We've studied the new tax law very carefully and feel a closed-end, full-service lease offers a viable solution. With such a lease, you can simply walk away at the end, without concern for the car's residual value and do away with all the interim record keeping. It takes care of everything except fuel, for a predictable, fixed monthly amount. The leasing company takes on all risks of residual value and maintenance; the leasee avoids the administrative burden and can simply charge the employee back for personal use on a stipulated rate. "What's surprising to most, is that a closed-end, full-service lease of this nature can be quite competitive with vehicle ownership or an open end finance lease, especially under the new tax law."

That may be so, but the course to take depends on your own financial situation and any decision of whether to lease, buy or have driver-owned vehicles deserves the closest scrutiny by your legal and financial people.

As Bill Dodds, President of Detroit-based Fleet Leasing of America succinctly states: "For the legitimate company driver on business, the new law isn't going to have much effect; it's the executive cars the IRS is trying to close in on. But anyway you look at it, the new tax law is just a pain in the ass for everyone concerned!"

Whatever way a company decides to handle the administrative burden, it's up to your drivers to provide the data. As they say in the computer business, "garbage in, garbage out", and too strong an odor is bound to arouse IRS ire. Most assuredly, some companies will flout the law and "wait and see what happens", others have begun hiring personnel to handle the extra paperwork. But whatever course a fleet manager takes, "contemporaneous" is certain to become synonymous with headache, and there's no simple remedy in sight! —J.F.C.

(For a management brief on the new law, you may write to Touche Ross, Inc., Tax Department, at 1633 Broadway, New York, New York 10019, or call (212) 489-1600.)

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Trucks on The Rebound

Except for light trucks, the past few years were lean ones for truck manufacturers. Heavy trucks that require the most investment were hurt severely. With the economy—and freight—in a holding pattern, both common carriers and private fleets elected to retain and recondition aging equipment, even sidelining and/or cannibalizing to keep their fleets going.

But it was just a matter of time. With a more vibrant economy, increased freight volume and older equipment simply becoming *too* inefficient, demand for trucks rose across the board and in 1984 the industry rebounded. (Not up to the levels of the best year—1978—but certainly getting closer.)

GM's Ortlieb: We're in a period of concentrated fleet rebuilding

Says Brooks Ortlieb, Manager of Commercial and Municipal Fleet Sales for industry giant GMC, "We're in a period of concentrated fleet rebuilding right now and, frankly, we're finding carriers rushing out to take just about any vehicles they can get. In the first nine months of the model year, we were nearly at our full-year 1983 total. We projected 320,000 units by model yearend, which will make it the second best in our history. That'll be an overall increase of nearly 28%."

GMC's biggest gain—better than 95%—will be in the heavy truck segment where it, and all the other manufacturers, suffered most when the bottom started to fall out in 1980. (Specifically, Class 8 heavy trucks went from 165,000 units produced industry-wide in 1979 to a mere 70,000 in 1982.)

As with fleet cars, the ways of doing business for the truck makers have changed radically. "You don't see deals being made on the backs of napkins any more," says Ortlieb. "Today, with a single tractor costing upwards of $50,000, you have to work closely with the top executives and their financial managers, though certainly, recommendations and specifications will still come from people like equipment and maintenance managers."

The truck sales momentum carried to trailer body manufacturers, who also posted remarkable gains. Most notably, Fruehauf Corporation logged a record 63,000 orders by the end of 1983 and is having its best year ever in 1984. With approximately a third of the trailer market, it may reach over 70,000 units this year. As George F. Malley, Fruehauf's Executive Vice President notes, "We can point to the general economic conditions, of course, but there's also a strong demand for new equipment as a result of the Surface Transportation Act of 1982, and the growth of 'just-in-time' inventory management."

In the former case, allowable trailer length (48') and width (102") were increased, and tandem rigs allowed on designated highways. The "just-in-time" concept has led to new trailer designs for rapid loading and unloading—under 8 minutes for a 48' side door trailer, according to Malley.

Mack Trucks, in its 84th year, handily outperformed the industry by mid-year, posting a 160% gain. Comments John B. Curcio, President and CEO, "The increased competition and rate-cutting under deregulation is forcing carriers to operate more efficient equipment and find other ways to cut costs, such as better routing and backhaul planning."

Like all manufacturers, Mack is chipping away at its vehicles' operating costs through technical refinements. As Curcio notes, "With the exception of the mid-range diesel that we market and support with Renault, we build everything ourselves and have been able to achieve what we call a 'balanced design', adding improvements like chassis-mounted air cooling and 4-valve diesel heads." Engineeringese aside, Curcio claims such tinkering adds up to an impressive 4%-to-6% fuel efficiency improvement.

Without exception, all manufacturers are hard at work on a "truck of the future", which will be cleverly streamlined, light in weight (through use of composite materials), highly fuel-efficient and, at least partially, electronically controlled. (Yes, it'll still require a driver.)

For the present, such trucks exist only on paper or, in some cases, as prototypes. Curcio revealed some details of Mack's project: "We're well on the way with a high-tech truck, but we won't release it until it's 100% in all respects. I *can* say that it'll have an electronic fuel controller as the heart of a total system that can include electronic shifting capability. It'll also offer several plug-in options, such as a diagnostic unit. We think it's going to be revolutionary."

Emery's move to diesels delivered savings of $1 million

But until the revolution, there are other ways a fleet manager can help reduce operating costs. A recent example is Rockwell International's "Tripmaster", an electronic information system that tracks a wide range of data on truck use, driver performance and engine operation. The system can record, analyze and report operating data 24 hours a day. (And it never has to make a pit stop!)

Besides mechanical means, there are often-overlooked operational ways to reduce costs. As Terry Kennedy, Executive Vice President of Ryder Truck Rental, Inc. explains, "We find that many private fleet operators aren't aware of the cost-cutting opportunities that came as a result of regulation reform. For instance, the single largest cost is running an empty truck—all you're doing is rolling up expenses. But the so-called "Toto" ruling, applying to interstate operation, allows a private carrier to get approval to carry other people's freight on the backhaul, or when his equipment isn't being used.

"In the past, ICC restrictions forced empty runs. Secondly, you can also 'trip

lease' your truck and driver to another carrier and the equipment can then be operated under his authority. Finally, 'single source' leasing is now allowed, where a company can lease truck *and* driver or, if they wish, enter a contract carriage agreement where a company like Ryder takes over the management functions as well. Of course, the shipper still controls the freight going out; the leasing company plans the backhauls and takes care of all the details."

Kennedy regards as one of his firm's most important services its ability, through 700 locations, to know where the freight is and match it with the empty trucks under its control. "We call it our 'Backhaul Support System' and think it's widened the market radius of many firms who simply couldn't afford running empties back from long distances. Now they can plug into our system and know their vehicles aren't going to come back empty."

As anyone with any experience in trucking knows, there are a maze of regulations to consider in any backhaul situation, so if a company isn't involved with a full-service leasing company that can handle all the planning, it's advisable to consult a transportation expert, to avoid uncomfortable confrontations with the ICC. But whatever it takes, a backhaul arrangement is a *must* for any fleet, because even the truck of the future—efficient as it may prove to be—won't be able to operate in the black without it. —J.F.C.

Cases in Point:
Planning Pays for Steelcase

It's a dream scenario, that most fleet operations can only hope to approach: Trucks that run 1,000,000 miles, thanks to a meticulous maintenance program; optimum fuel efficiency through carefully equipment selection and driver training; *and nearly a 100% back-haul rate*. Steelcase Corp., the nation's largest office furniture manufacturer, with sales in excess of $1 billion, has made all of it a reality, through long-range planning and personnel motivation at all levels of its physical distribution system.

"Our primary objective is to be a service arm of Steelcase", says William J. Kaat, Manager of Fleet Operations, "so the size and composition of our truck fleet is really determined by what we can bring *in* to our main plant in Grand Rapids and outlying facilities." What Steelcase handles on back-hauls includes anything that might go into the finished products, such as casters, steel, laminates and fabric. Naturally, there's no lack of shipments going out of the plants to customers, and under the present structure, the in-house fleet handles about 25% of the delivery volume to customers, with the balance going to outside carriers.

According to Kaat, the purchasing department keeps the fleet operations staff well informed of goods scheduled in from various vendors. A customer delivery can then be scheduled to the particular vendor's area, and various components returned to the plant on the back-haul.

It all takes a great deal of strategic planning and schedule-juggling, of course, but it's paid off to the point where Steelcase vehicles run full 97% of the time, as opposed to the industry average of 50%. Steelcase began converting to diesels in 1959, and its 100% diesel over-the-road fleet now comprises 50 Ford and Kenworth tractors and 150 trailers.

"We don't trade in our equipment every five years or so like other companies do", explains Kaat. "We've developed our maintenance capabilities to such a degree that we'll run out a truck then rebuild it completely and do whatever it takes to keep it running efficiently on long hauls for 700-to-800,000 miles. Then we'll 'demote' it to runs within a 100-mile radius for another 100-to-200,000 miles".

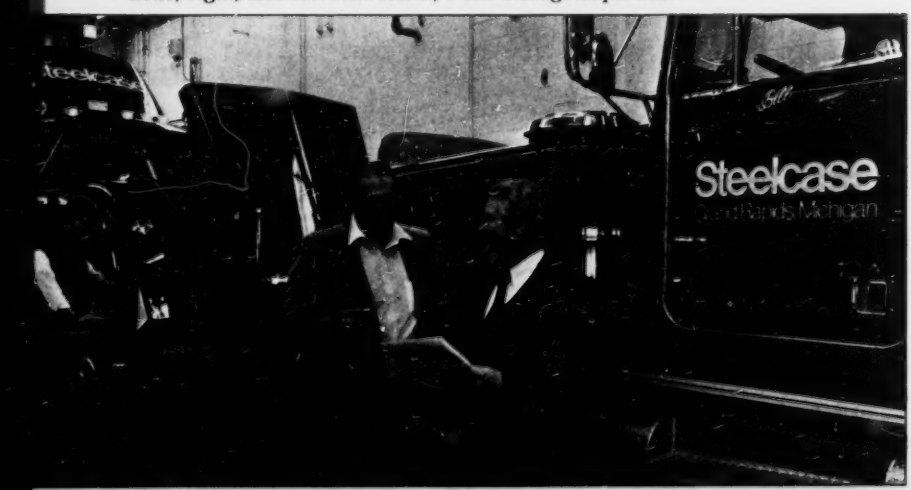
As might be expected on such a tightly-run ship, each piece of equipment has a continually updated, computerized "health record," including oil and gasoline consumption.

Although newer high-torque diesels are getting up to 7 mpg, the fleet average—including city medium-duty trucks and older vehicles close to phase-out—holds at a respectable 5.8 mpg. As Kaat notes, "We don't operate a pool system here; each driver or in some cases driver teams are assigned to a particular tractor. It's theirs and they take a lot of pride in treating it well and getting the most out of it. We send out driver trainers to teach them fuel-saving techniques and they all go after our Driver of the Month awards, which are popular and competitive."

Steelcase's trucks are equipped with nine or thirteen-speed shifts and cruise control. In another fuel-pinching move, all have been aerodynamically streamlined by the addition of overhead cab air deflectors and lower under-bumper air foils. Besides cost efficiency, continual driver training and high morale show in Steelcase's exemplary safety record—more than 2.5 million miles per chargeable accident in 1983; and all were minor. It has, in fact, the best safety record among all private truck fleets in the U.S.

Firmly at the controls of a fleet operation that apparently can do no wrong, Kaat has some concise advice to fellow fleet managers: "Make preventive maintenance and driver training your top priorities and you can't miss." —J.F.C.

Keeping Steelcase's Kenworths rolling: Bill Kaat, Manager, Fleet Operations, right, and Herman Karel, Fleet Garage Supervisor



Diesels Save Emery $1 Million

Emery Worldwide, a leading domestic and international air cargo carrier, is midway through a five-year purchase program for pick-up and delivery trucks. The move to own rather than lease equipment—as well as switching to diesel trucks—has saved the company an estimated $1 million to date.

Emery now contracts the maintenance for the trucks it buys, as opposed to its previous reliance on maintenance under full-service leases.

To help insure promised next-day delivery of any-size, any-weight shipments, Emery depends on its own fleet of 50 cargo aircraft and some 1,750 pick-up and delivery trucks. Approximately 20% of the fleet consists of GMC 3/4-ton panel vans (with the fleet's only gasoline engines); 40% "high-cube," 10,000 lb. GVW (gross vehicle weight) Iveco Z-100 and Ford E350 diesels; and 40% GMC W-7 and Mack MS200 medium diesels of 25,000 GVW.

Emery's decision to change its fleet's *modus operandi* to cut overhead came in 1982, when it purchased ten Iveco Z-100 diesels for testing in Los Angeles. The Iveco's averaged an impressive 16.8 mpg, versus Emery's conventional 8-cylinder gasoline trucks that averaged only 6 mpg.

According to Townley, the diesels caused a yearly fuel cost saving of more than $150,00 in Los Angeles alone, setting the stage for subsequent diesel truck purchases that now account for 80% of the fleet—the Iveco portion alone has expanded to 250 trucks, and there are plans to purchase more.

Emery's five-year plan to convert from full-service leasing to purchasing involves a truck selection process that takes into account individual requirements in various geographic areas. "Our requirements vary from city to city," Townley says, "but one constant is our need for a versatile truck to handle the wide range of shipment sizes and weights that we handle every day."

"About half our business is with regular customers, so we know what to expect. But for the other half—the occasional customer who needs to move something in a hurry—we often don't know what we'll be picking up, and it can range from a small envelope to a 2,000-pound engine. We selected trucks that can handle the entire range of our business and maneuver well in cities, where most of it is."

Emery Worldwide has been in the asset management business for just about three years, from the time it began building its own aircraft and truck fleet in earnest. "But we learned fast," says Townley, "and by keeping close watch on our cost per mile and training drivers to get maximum miles per gallon out their engines, we've been able to show some very dramatic savings."

Well on the way to a 100% diesel fleet, Townley nevertheless didn't neglect Emery's most cost-effective vehicles. "Bicycles," laughs Townley. "In an area like New York's Wall Street you can't beat them—or even foot messengers—for making envelope or small package pick-ups, what we call our 'paper business,' so our trucks can keep out of impossible traffic. Only now, Mayor Koch may be complicating things a bit with his new commercial bicycle licensing law." But Emery still has its foot messengers, go-anywhere, carry-anything attitude and dollar-saving diesel fleet for the long run. And should it ask, "How are we doing?," the answer would have to be, *Terrific*!" —J.F.C

Celanese Still Downsizing

Celanese Corp.'s 600-vehicle fleet, with management headed by George Argueta, is a good example of a medium-sized leased fleet that has undergone some dramatic changes.

Says Argueta, "Our fleet consists primarily of GM, Ford, and Chrysler products. Recently, we've been leaning towards Chrysler, front-wheel drive vehicles, particularly in the LeBaron series and the '82 and '83 E Series."

Cars used by sales and management personnel comprise 450-to-500 of the Celanese fleet, with light trucks accounting for the rest. "When we downsized," Argueta admits, "it put Ford into a very uncompetitive area. However, Ford is making a comeback this year, with their downsized LTD-Marquis."

In addition, Argueta feels that current mid-sized Buick and Oldsmobile models present a different image than that traditionally projected by the "company car," which was often a dour-looking vehicle with a minimum of options and amenities. Not only were such cars hard to sell to anyone who had to drive them, but their very austerity also made them hard to resell to the general public at disposal time. "It's no secret that these well-equipped GM mid-sized cars have proven best in the resale market," Argueta says. (At Celanese, disposal time usually arrives between 45,000 and 60,000 miles.)

The Celanese fleet is leased from PHH and GELCO, with almost all maintenance coordinated through Argueta's New York City office.

Argueta's theory of good fleet management centers on people rather than hardware, specifically: "The right attitude toward your people; you've got to run the fleet with the attitude that you're here to help the sales force. You're not here to fight with them. Or to be a negative factor. It's not always easy to approach things that way, but it's really extremely important."

Celanese's Agueta: Mid-size cars proving best in the resale market

The Celanese fleet manager has a practical five point criteria for vehicle selection to go along with his pragmatic management theory: "The first is cost. The Mercedes is a great car, but who wants to operate $30,000 fleet cars?

"Number two, is it a mechanically sound car that's inexpensive to operate? Third, does it have a reputation as being a good resale car? Sometimes this is a real crapshoot because if there's a new model there's no track record.

"Fourth, applicability. You can't buy less car than you need. For example, a salesperson delivering displays can't fit them in a compact. So you buy the car that's right for the job. Fifth, a certain amount of image is important. With higher level personnel, middle manager, engineers and so forth you want to give them something extra."

While public acceptance of front-wheel drive cars has been high, certain fleet managers are far less enthusiastic. According to Argueta, GM's X-body cars did much to sour his opinion of front-wheel drive. "The hope is that GM has ironed out a lot of the problems with front-wheel drive," says Argueta, and our current experience with the A-body cars is showing that they have. In general, they've been pretty economical to operate, so we have realized some savings in that respect."

One of the major problems with transmission replacements on front-wheel drive vehicles stems from the fact that the transmission is at the bottom of the engine, mounted so as to require the removal of most of the engine before the transmission is accessible.

"Labor costs are way up because of the time it takes to get the unit out," comments Argueta, "and the other increase in costs is related to availability of used transmissions. What mechanics are doing now is taking the unit out, and repairing it, rather than replacing it right away with a rebuilt. And that takes time. With a rear-wheel drive car when there was a transmission failure, you just pulled it out, and put in a rebuilt. You were back on the road in five hours at a very low cost."

Argueta, like many other fellow fleet managers is extremely concerned over the possibility of another major rise in fuel prices within the next five years. He says, "we're holding the line now, but the relative abundance of fuel has certainly affected the thinking of a lot of people. You'd be surprised how many people think we're going back to the days of the V-8 and the big automobile because the gas is there and the price has stabilized. But I'm certain that in time the price will go up."

Argueta, like many other fleet managers, fears another major rise in fuel prices within the next five years. "We're holding the line now, but the relative abundance of fuel has certainly affected the thinking of a lot of people. You'd be surprised how many people think we're going back to the days of the V-8 and the big automobile because the gas is there and the price has stabilized. But I'm certain that in time the price will go up."

Celanese has continued its downsizing program. As Argueta explains, "Bigger cars just increase expenses. I've been fortunate that this department has been given free rein to choose the vehicles that are offered the sales force, and management has backed our decisions. But if we have a good year, I might have a fight to stay with smaller cars."

The struggle between U.S. and overseas carmakers has left both sides bruised and shaken, but recent rounds in the automotive fight have shown the American manufacturers surprisingly strong, especially in fleet sales, which the U.S. car builders have practically to themselves. Despite some marketing efforts aimed at fleets, overseas makers are still on the outside looking in.

"Crafted with pride in America is the policy here," comments Argueta. "Initially the overseas builders weren't very interested in the fleet market, and when they were, they sure weren't willing to negotiate a fleet price. In any event, it's so much easier dealing with American manufacturers, so why bother with imports?"—B.W.

GENSTAR CORPORATION

In 1983, Genstar Corporation's financial service operations reported record earnings for the fourth straight year, and its building materials and real estate development businesses benefited from increased residential construction in the U.S. Better market conditions, increased operating efficiency and a 23% reduction in debt produced net income of $103 million or $2.83 per share (Canadian), a significant improvement over 1982.

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- Wheels, Inc., 6200 N. Western Ave., Chicago, IL 60659

Fleet Management
Fleet Management, a comprehensive work by John E. Dolce, covers all aspects of fleet management and cost control, with emphasis on trucks. 320 pp., $31.95, from McGraw-Hill, 1221 Avenue of the Americas, New York, New York 10020.

Runzheimer Reports from: Publications Division, 555 Skokie Blvd., Northbrook, IL 60062.

- *Runzheimer Reports on Transportation*—Monthly newsletter on car/fleet management ($195/yr.)
- *Runzheimer on Cars and Living Cost*—Informative and *free* quarterly newsletter on items of interest to managers.
- *Survey and Analysis of Business Car Policies and Costs*—Complete 1985/86 report; available early 1985; ($190).
- *Runzheimer Reports on Travel Management*—Invaluable in controlling rising travel costs; monthly newsletter, ($195/yr).

NAFA Fleet Manager's Manual
Everything one needs to know about running a corporate fleet, and more; includes sections on acquisition, expense control, maintenance and safety. $85 per copy, from: National Association of Fleet Administrators, 295 Madison Avenue, New York, NY 10017, (212) 689-3200.

Private Carrier Conference
1616 P St. N.W., Washington, D.C. 20036. Offers Wharton School's study on "Impact of Deregulation on Private Trucking." ($1.00/copy).

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	Recent Price or Yield (8/31/84)	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$20.16/share	$11,120	$10,580
per cent change		+1.1%	+0.5%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE		$10,137	$ 9,514
ACCUMULATED INCOME	$ 92.94	$ 106	$ 1,202
TOTAL		$10,243	$10,716
per cent change		+2.4%	+7.1%
Money Market Fund	+10.58%	$10,089	$10,967
per cent change		+0.8%	+9.6%
Gold (Krugerrands)	$368.50/oz.	$10,329	$ 8,476
per cent change		+3.2%	-10.5%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$82,200	$82,800	$83,200
per cent change		-0.7%	-1.2%
New House	$92,900	$97,300	$94,000
per cent change		-4.7%	-1.2%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Deak-Perera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

$3.15 this year and to $3.60 in 1985. "I think the stock will remain in IBM's shadow," Crotty says, "but as IBM grows and its P/E increases, I think NCR's multiple could go to twelve."

IBM has also jumped ahead of its competitors in storage technology; it set a new industry standard for packing more and more data on the same single-density disc in 1982, which rivals Control Data, Storage Technology and the Memorex division of Burroughs failed to duplicate until the end of 1983. Crotty predicts that Big Blue will announce a double-density storage disc this year, which will affect the future of those companies. Control Data is a conglomerate with only one-third its income coming from peripherals. He expects its earnings, excluding an extraordinary gain, to come in at $3.77 a share this year, down from $4.20 a share in 1983; for next year, he is optimistically estimating $4.70. But Crotty says, "I am not recommending the stock for a variety of reasons."

Storage Technology's situation is even harder to forecast, he says. Because it has no mainframe business, it will be badly hurt by IBM's new disc-drive technology improvements. Crotty is projecting a loss of 25 cents a share for the company this year, but next year it could earn $1 or $1.10 a share if it starts manufacturing the new optical storage device it has in the works early next year. "It's a high-risk situation, not for the average investor," he says, "but certainly one to watch."

But 1986 and beyond, when local area networks and new smarter terminals will be introduced, will be even more significant for IBM and the industry. These are part of the substantial growth Crotty sees for IBM. Crotty thinks that next year the market could once again grant IBM a superior multiple on its earnings. When its 1986 forecasts come in at another 16% gain in earnings and a 17% gain in revenues, he says, "the multiple could be thirteen and the stock price could rise from today's 122 to 156." ——A.H.